

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

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SUBJECT: EMERGENCY PROPOSALS FOR HARD-HIT INDUSTRIES

REF: (A) ROME 0958, (B) STATE 021284

SUMMARY

DECREE LA EXPECTED TO BE EFFECTIVE SOON IMPLEMENTS PROPOSAL REPORTED REF. A FOR DIRECT ASSISTANCE TO UNEMPLOYED WORKERS, BUT NO DIRECT EQUITY CONTRIBUTIONS PROPOSED TO COMPANIES IN DIFFICULTY. INNOCENTI-LEYLAND AND SINGER EMPLOYEES WILL PROBABLY BY ONLY ONES TO BENEFIT INITIALLY, BUT NOT TORRINGTON.

1. ON JANUARY 30 THE COUNCIL OF MINISTERS AUTHORIZED THE CREATION OF A 10 BILLION LIRA FUND (THE EQUIVALENT OF \$13.7 MILLION) TO PERMIT GEPI (PARASTATAL BODY DESIGNED TO ASSIST AND FINANCE COMPANIES IN DIFFICULTIES) TO CREATE NEW COMPANIES (OR UTILIZE EXISTING ONES) TO EMPLOY WORKSERS LAID OFF BY FIRMS DURING THE CURRENT RECESSION. AUTHORIZATION IS TO BE EFFECTIVE ON DATE

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OF PUBLICATION OF DECREE LAW IN OFFICIAL GAZETTE, EXPECTED IN

NEXT FEW DAYS. DETAILS ARE AS
FOLLOWS:

2. THE 10 BILLION LIRE MAY BE USED BY GEPI (A) TO ESTABLISH
NEW CORPORATIONS, WHICH MAY INCLUDE PARTICIPATION BY STATE
ENTITIES OR (B) TO FINANCE EXISTING CORPORATIONS OTHER THAN THOSE
FIRING WORKERS. THE NEW FIRMS WILL REEMPLOY WORKERS (UNDER PROV-
ISIONS OF CASSA DI INTEGRAZIONE) WHOSE COMPANIES HAVE BEEN
LIQUIDATED OR WHICH HAVE CEASED PRODUCTIVE ACTIVITIES. ORIGINAL
EMPLOYING FIRM NEED NOT BE A PARTICIPANT IN NEW VENTURE. THE
REMUNERATIONS TO BE TAKEN AS A BASIS FOR PAYMENTS TO WORKERS
WILL BE SALARIES AND OTHER BENEFITS PAID AT THE TIME OF ALY-OFF.

3. SELECTION OF THE COMPANIES WHOSE FORMER EMPLOYEES WILL BENEFIT
WILL BE MADE BY CIPE (INTERMINISTERIAL COMMITTEE FOR ECONOMIC
PLANNING) WITHIN 30 DAYS FROM THE EFFECTIVE DATE OF THE DECREE
LAW. GUIDELINES WHICH CIPE MUST USE TO DETERMINE SELECTION ARE:

A) DIFFICULTY IN FINDING SOLUTIONS, THOUGH SOLUTIONS SHOULD BE
FEASIBLE;

B) EXCEPTIONAL CIRCUMSTANCES BLOCKING SHORT TERM SOLUTIONS;

C) SIZEABLE UNEMPLOYMENT IN THE COMPANY.
VAGUE PROVISION IS ALSO MADE FOR NEED TO "RESTRUCTURE" AND
"RECONVERT" PRODUCTION OF LIQUIDATED FIRMS TO AGAIN MAKE
THEM VIABLE.

4. WORKERS OF COMPANIES LIKE INNOCENTI-LEYLAND AND SINGER
WHICH HAVE TERMINATED OPERATIONS (AS OPPOSED TO TEMPORARY
SUSPENSION) WOULD NOT NORMALLY BE ENTITLED TO PAYMENT UNDER PRO-
VISIONS OF CASSA DI INTRAGAZIONE. HOWEVER, THIS DECREE-LAW
MAKES AN EXCEPTION AND ALLOWS FOR SUCH PAYMENT.

5. COMMENT
MANY QUESTIONS ARISE ON THE MANNER IN WHICH THE DECREE-LAW
WILL OERATE. THE LAW MAY REQUIRE PARLIAMENTARY APPROVAL WITHIN
60 DAYS AFTER TAKING EFFECT AND NO ONE IS CERTAIN THAT PARLIA-
MENT WILL BE IN SESSION UP TO THEN, GIVEN THE CURRENT POLITICAL
CRISIS. IF THE DECREE LAW IS NOT APPROVED BY PARLIAMENT, GEPI
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WOULD FIND ITSELF IN AN AWKWARD POSITION, FOR IT COULD FIND IT-
SELF IN POSITION OF HAVING DISBURSED FUNDS AND THEN FINDING
ITS AUTHORITY TO DO SO REVOKED. ACCORDINGLY, GEPI OFFICERS
ARE UNDERSTANDABLY RELUCTANT TO IMPLEMENT THE DECREE.

6. THE EMBASSY UNDERSTANDS THAT EMPLOYEES OF INNOCENTI-LELYAND
AND SINGER WILL BE THE FIRST TO BENEFIT. IT IS AS YET UN-
CLEAR WHETHER EMPLOYEES OF OTHER COMPANIES SUCH AS TORRINGTON

COULD BENEFIT, SINCE THE INITIAL AUTHORIZATION OF \$13.7 MILLION DOLLARS WOULD BE INSUFFICIENT TO MEET EXPECTED CASSA DI INTEGRAZIONE PAYMENTS FOR WORKERS OF OTHER COMPANIES WITHOUT INDIVIDUAL PAYMENTS FALLING TO VERY LOW LEVELS. IT DOES NOT APPEAR PRACTICAL TO SPECULATE ON THE MODUS OPERANDI OF THESE PROPOSALS UNTIL THE DECREE-LAW TAKES EFFECT AND THE ISSUE HAS BEEN AIREDD BY ALL THE GOVERNMENT MINISTRIES CONCERNED, INCLUDING THE MINISTRIES OF FINANCE AND OF STATE PARTICIPATION AS WELL AS THE MINISTRIES THAT HAVE SPONSORED THE PROPOSAL, I.E. THE MINISTRY OF COMMERCE AND INDUSTRY AND THE MINISTRY OF LABOR. IT SEEMS HIGHLY UNLIKELY, HOWEVER, THAT TORRINGTON, AND OTHERS LIKE IT, WILL BENEFIT DIRECTLY FROM THE MEASURES UNLESS, IN TIME, FINANCING IS INCREASED SUBSTANTIALLY TO ENABLE EQUITY CONTRIBUTIONS IN LIQUIDATED COMPANIES OR THOSE IN DIFFICULTY, A PROPOSITION THAT THE PRESENT WORD OF THE PROPOSED ARTICLES COULD ALLOW. VOLPE

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